GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1167
ANSWERED ON:07.03.2008
EARNINGS FROM SM
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government earnings from the Stock Markets has significantly increased in the recent years;

(b) if so, the guiding force behind such constant upward trend with the annual earnings of the Government in the decade;

(c) the reason for fall and recent instability in the International Stock Markets and its consequential impact in the Indian market; and

(d) the manner in which the Government proposes to meet the challenges in near future to get our market stabilized despite ups and downs in international markets?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b) : Government is not an investor in stock market. However, the valuations and transactions in stock market have some bearing on income and wealth of Government. These include increased revenue from securities transaction tax, appreciation of its holdings in public sector enterprises, etc.

(c) : The recent fall and instability in international stock markets is attributed, among other factors, to the sub-prime mortgage crisis in the US, change in the monetary stance of developed countries, the expected recession in US, firming up of oil prices, Yen carry trade, relative valuations in emerging markets, etc. The impact on Indian market depends on the level of its integration with international markets.

(d) : The authorities do not try to stabilise stock prices. They have put in place systems and practices to promote a safe, transparent and efficient market and to protect market integrity. The systems instituted include advanced risk management mechanisms comprising on-line monitoring and surveillance, various limits on positions, margin requirements, circuit filters, etc. The systems and practices are reviewed continuously and modified to meet emerging needs. Measures taken to broaden and deepen markets include: screen based trading system, dematerialization of securities, corporatization and demutualization of exchanges, settlement through clearing corporation, trading in of derivatives, etc. Besides, SEBI maintains a constant vigil in the market, and in case of any abnormality, takes appropriate action against the concerned entities. SEBI and market participants are undertaking massive awareness programmes to educate investors about the precautions they need to take while dealing in securities and how to seek redressal of their grievances.